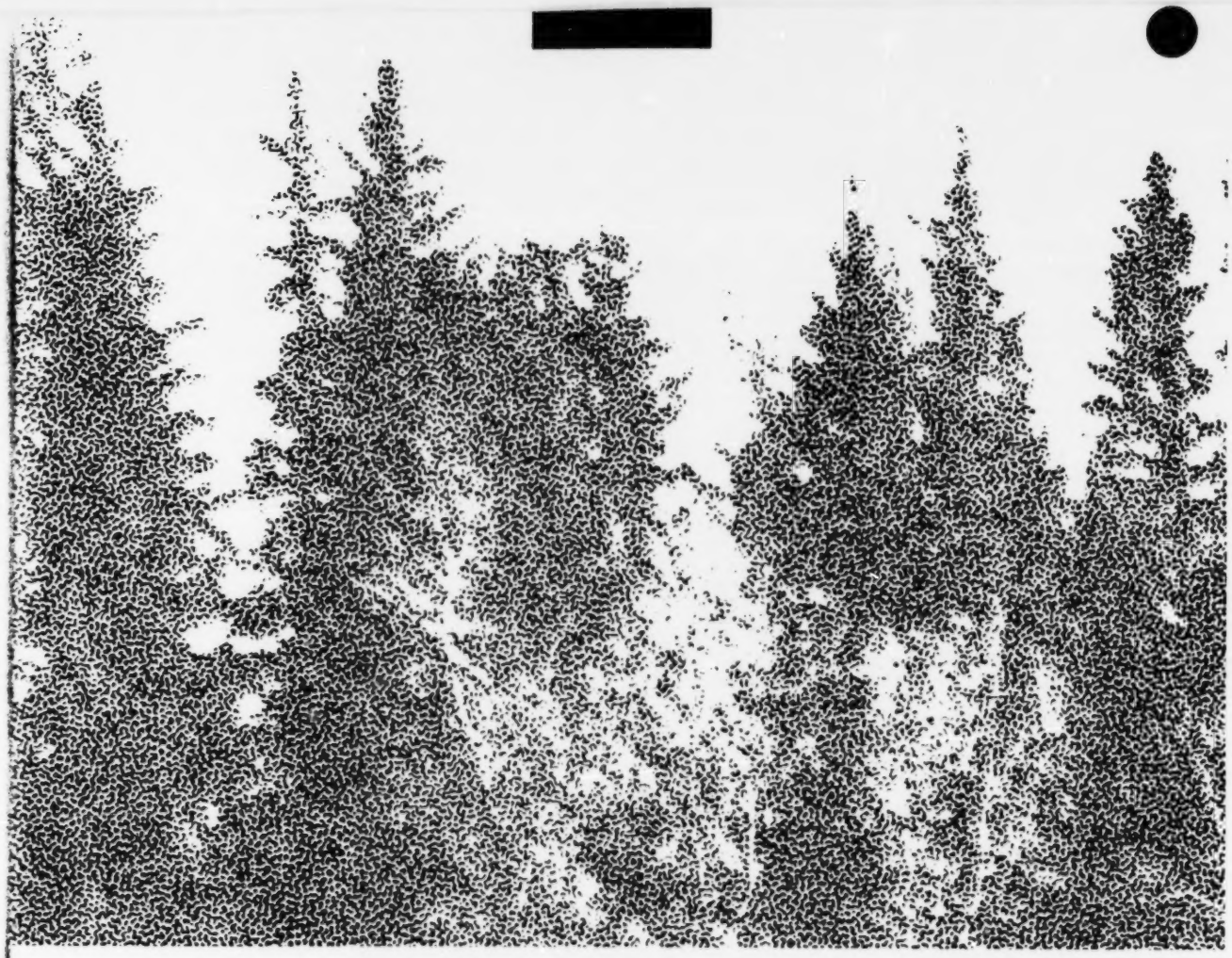

ALBERTA FOREST DEVELOPMENT OPPORTUNITIES

Alberta

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Alberta's forest covers two-thirds of the province and contains 2.7 billion cubic metres of wood. The forestry sector contributes approximately $1.0 billion annually to Alberta's gross domestic product. Forestry provides the economy with over 10,000 direct jobs.

Currently, less than half of Alberta's annual allowable cut is being harvested. This tremendous uncommitted reserve of coniferous and deciduous timber, made accessible with a superior transportation infrastructure, offers unlimited opportunities to entrepreneurs and businesses.

High quality, accessible forest resources.

Like all Canadian provinces, Alberta has jurisdiction over its natural resources, and is responsible for managing and developing these resources. In addition to abundant forest resources, Alberta's natural gas, coal, petroleum products, and reasonable electrical power rates ease removal and processing of timber.

An experienced labour force, supported by a comprehensive educational system, keep labour costs low and productivity high.

The Government of Alberta encourages free enterprise and, committed to an environment conducive to investment, provides corporate tax reductions to eligible businesses.

Government support for the forestry sector encourages industrial growth and development, international trade promotion, and the discovery and development of new markets for Alberta lumber and composite board products.

Emphasis on the industrial development of Alberta forests requires effective forest management. Forest Renewal Programs ensure our renewable natural resource will prosper far into the future.

High quality forest resources, a superior transportation network, a broad base of natural resources, highly trained human resources, and a supportive economic and political environment. All these factors make Alberta an excellent environment for investors...a forested land with vast opportunities for growth and development.

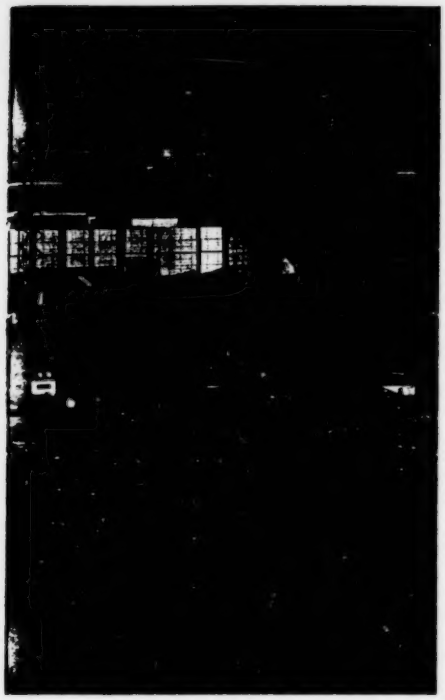
● GREEN AREA

Alberta's thriving forest industry works in one of North America's largest uncommitted reserves of coniferous and deciduous timber.

Most forested land in Alberta is managed by the provincial government. In 1948, Alberta designated this forest land as "The Green Area". This action was the first step in developing a permanent forest land base. (See Appendix A for details)

Highly trained human resources.

ALBERTA FOREST DEVELOPMEN



The Alberta lumber industry annually produces 1.3 billion fbm of lumber. Most of this production comes from several dozen major sawmills.

Alberta's total standing timber volume is 65% coniferous and 35% deciduous species.

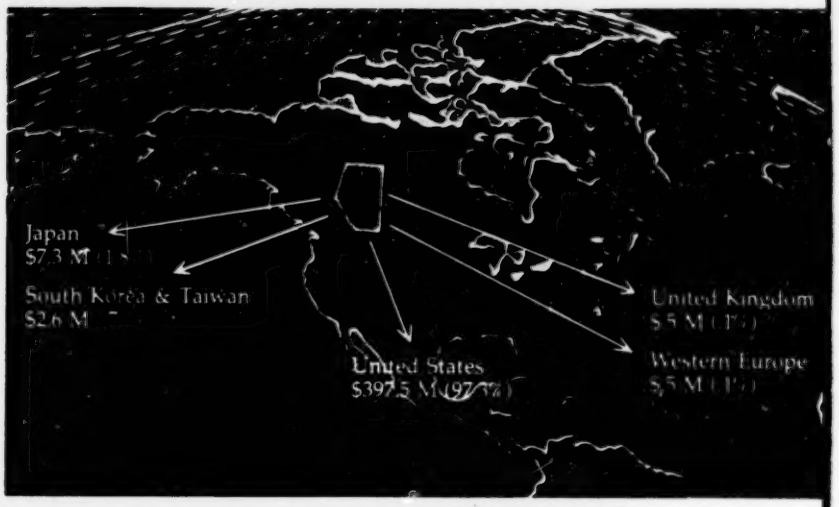
The annual allowable cut of 25.7 million cubic meters or 6 billion fbm (board feet) is 56% coniferous and 44% deciduous species. In 1986 only 6.9 million cubic meters (1.6 billion fbm) were processed, primarily for lumber and pulp. As of July 1st, 1987, 5.5 million cubic meters (1.3 billion fbm) coniferous, and 10.2 million cubic meters (2.4 billion fbm) deciduous are available annually for future development.

WOOD COST

The low cost of delivered wood is a prime reason for investing in Alberta forests. Delivered cost of roundwood to the mill is between $23 - $27 per cubic meter ($99 - $116 per thousand board feet). Cost depends on the piece size and related haul distance. Companies are responsible for some road costs and reforestation costs.

DELIVERED WOOD COST & BREAKDOWN FOR PULP:

Felling/Skidding/Decking	46.1%
Loading	4.5%
Hauling	17.6%
Road Construction	4.6%
Other Administration	27.2%



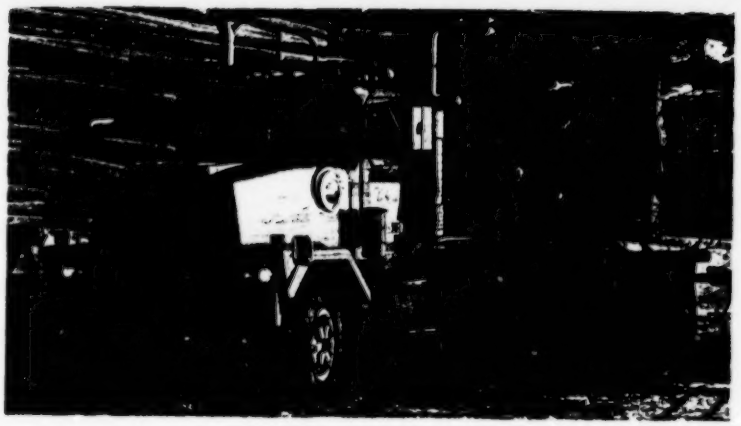
ALBERTA EXPORTS OF WOOD AND WOOD PRODUCTS

Alberta supplies a variety of forest resource products to local, national and international markets. In 1986, out of a total production value of approximately $1.0 billion, Alberta's foreign exports exceeded $400 million. The United States was the major market for these products. Exports of softwood lumber and wood pulp also reached the United Kingdom, Belgium, Luxembourg, West Germany, Japan, South Korea, and Taiwan.

ENT OPPORTUNITIES

TRANSPORTATION

The Alberta government places a high priority on the development of the province's transportation infrastructure. The forest industry is served by a network of roads and highways, trucking companies, intermodal services, railways, and air transportation systems. Each method enables products to reach markets efficiently.



ROADS AND HIGHWAYS

Over 15,000 kilometers (9,325 miles) of paved highways and roads connect major centres in the province. First class arterial roads and highways link up with main highways in adjacent provinces and American states.

TRUCKING

Trucking is used extensively for short hauls of forest products throughout Western Canada. Regulation of the industry is under provincial jurisdiction. New proposals to decrease barriers to entry and standardize trucking regulations facilitate shipping.

INTERMODAL SERVICES

Intermodal containers provide protective transportation of forest products, reduced cargo handling, simplified customs procedures, reductions in packing, with potential reductions in insurance and documentation costs.

Alberta Intermodal Services is a company owned and registered by the Alberta government. It provides lower inland transportation costs and stimulates trade by improving service to and from the North Pacific Coast.

RAILWAYS

Two major railway companies serve Alberta: Canadian National and Canadian Pacific. Approximately 11,000 kilometers (6,835 miles) of line provide connections east and west to ocean ports as well as to the Canadian North and the United States.

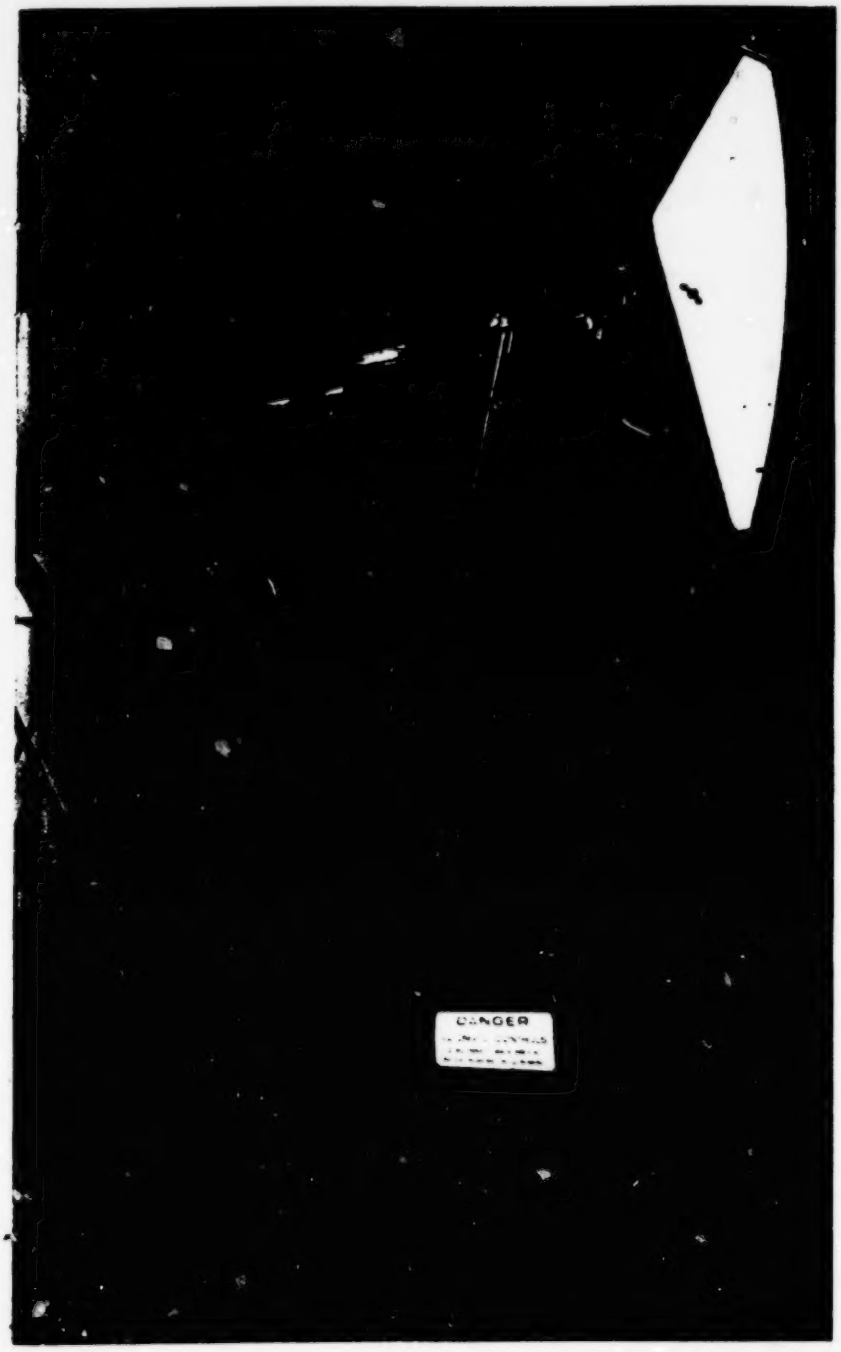
Prior to deregulation, rail rates paid by shippers were based on origin and destination zones. Deregulation is intended to sharpen competition among railway companies and improve rates and service.

AIR

Both passenger and air cargo activities have expanded rapidly in Alberta in recent years. These companies provide services ranging from air charters and aerial surveys to fighting forest fires. Provincially-based firms make use of 89 licensed airports.

Major airlines such as Canadian Airlines International and Air Canada provide scheduled regional, national and international passenger and air freight services.

A number of U.S. carriers provide Calgary and Edmonton with international flights. In addition, Wardair serves Alberta with national and international flights on a charter basis.



Alberta possesses abundant energy resources. Vast deposits of coal, oil, and natural gas help power the harvesting of the forest. The size, proximity, and development of these natural resources keep the costs reasonable.

Alberta holds two-thirds of Canada's useable coal reserves. Much of the sub-bituminous coal used for power generation is located close to major electric energy load centres.

Over the last several decades, the petroleum industry has designed highly sophisticated technology for processing the large percentage of natural gas which is wet and/or sour, containing sulphur and liquid co-products such as propane and butanes. Excluding refinery production, Alberta produces approximately 95% of Canada's propane and butanes. Deregulation within the natural gas industry has resulted in Alberta having the lowest natural gas costs in Canada. (See Appendix C, Chart #1)

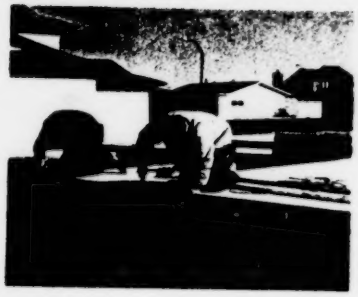
Extensive transmission lines connect power plants to major consumption areas on the power grid in Alberta. The grid reaches all but the most remote areas of the province, which are served by isolated plants. The price of electricity in Alberta is among the lowest in Canada due to ample electric generation primarily from the abundance of coal and natural gas. (See Appendix C, Chart #2)

NATURAL RESOURCES

A stable and experienced work force saves time and money in the forest industry. In 1986, Alberta was one of the provinces with the lowest percent working time lost due to strikes and lockouts. (See Appendix C, Chart #3)

A politically supportive environment for business and resource development demands certain procedural requirements be met before strikes or lockouts can be initiated during the negotiation or renegotiation of collective agreements. Legislation also exists to protect workers' interests with regard to minimum wage, industrial standards, collective bargaining and arbitration. This approach keeps the number of person days lost in Alberta due to strike action well below the national average.

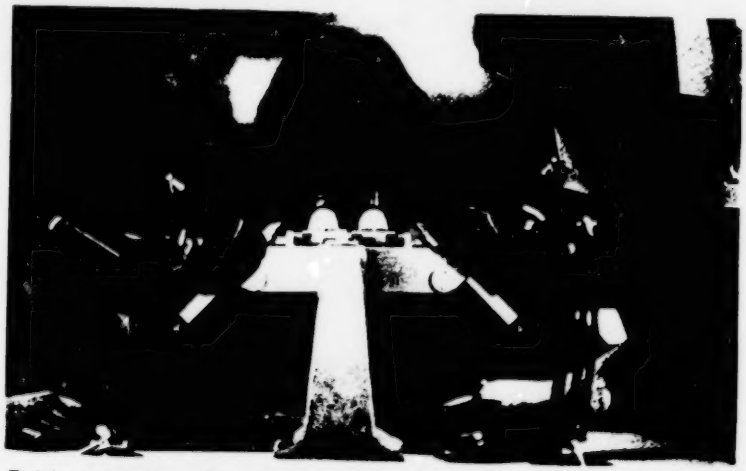
Alberta's experienced work force is one of the most highly trained in the world.



There are many job creation and training programs available to eligible businesses. Skill upgrading programs ensure new and experienced workers are trained in safety standards and on up-to-date equipment.

Alberta's extensive timber reserves and lengthy history of resource development guarantees industry a pool of highly trained, experienced forest workers.

Alberta's highly trained labour force is the fourth largest in Canada. (See Appendix C, Chart #4) The forestry sector provides the economy with over 10,000 direct jobs.



Training and skill upgrading programs are offered at Alberta's vocational centres, colleges and universities.

HUMAN RESOURCES

The Government of Alberta's economic strategy actively supports business development. It builds upon existing strengths and identifies and promotes investment opportunities. The strategy works to overcome obstacles to business start-up, expansion, and new product development.

Alberta boasts one of the country's lowest corporate tax rates. The absence of any retail sales tax means savings for corporations and employees. (See Appendix C, Chart #5)

THE ALBERTA GOVERNMENT:

- Promotes international trade and encourages lowering and removal of trade barriers;
- Supports upgrading resources to optimum levels prior to their sale;
- Develops new technologies through increased research and development programs;
- Emphasizes continuing growth of the basic transportation network; and
- Remains committed to a renewable forestry base, effective forest management, and most efficient utilization of forest reserves;

In June 1986, the Alberta Department of Forestry, Lands and Wildlife created the Forest Industry Development Division (FIDD). FIDD acts as a catalyst in attracting investment and dealing with forest development proposals from business. This proactive approach to industry initiatives involves providing information, advice, research data, business analyses, and help in exploring financial assistance packages. The "one stop shopping" service provided by FIDD can be an efficient time saver for a company facing an array of government departments, policies, programs and regulatory requirements. (See Appendix A for details)

A GROWING INDUSTRY

Mid-1950's Forest industry diversifies focus on lumber to include pulp, plywood and wood preservation products. New markets continue to open at home and abroad.

1956-57 First major forestry investment: construction of bleached sulphate kraft pulpmill at Hinton.

1973 Second bleached kraft pulpmill constructed by Procter & Gamble at Grande Prairie.

1983 Alberta produces 1 billion fbm of lumber for the first time.

1985 Canada's first oriented strandboard plant built at Edson, Alberta.

1986 Canada's first medium density fibreboard plant built at Blue Ridge, Alberta.

1987 Alberta sawmills produce over 1.3 billion fbm of lumber. Three major plywood mills, three oriented strandboard plants, and two roofing felt plants in operation. Eighteen wood treatment plants produce 200,000 cubic meters of treated wood products.

1988 Opening of bleached chemi-thermomechanical pulpmill at Whitecourt.

1989 Capacity doubles at Hinton's bleached kraft pulpmill.

ECONOMIC ENVIRONMENT

Today's forest industry is a major contributor to Alberta's economy. Undeveloped forest resources have the capability of expanding the industry to several times its current level. No other Canadian province can match that potential. The large volume of uncommitted timber offers numerous opportunities for manufacturing and investment.

Aspen (poplar) is Alberta's most under- utilized forest resource.

The development of the province's vast stands of aspen (poplar) presents investment opportunities such as:

- sawmills producing hardwood furniture grade lumber;
- mills producing laminated veneer lumber, medium density fibreboard, hardboard, and oriented strandboard;
- preserved and fire retardant wood products;
- household products including furniture and kitchen cabinets;
- factory-built mobile modular, prefabricated, and panelized houses;
- floors, doors, windows and paneling;
- pallets and other material handling systems.

Other potential uses for unutilized timber resources include the manufacture of printing and writing paper, mechanical pulp, chemical (kraft) pulp, coated paper, uncoated groundwood papers and uncoated wood free papers.

Alberta's forest-based industries account for more than 10% of the value of manufactured goods in the province.

INVESTMENT ENVIRONMENT

ALBERTA IS OPEN FOR BUSINESS

The forest products industry is a vital part of the economy. Reserves of uncommitted timber provide unparalleled development and investment potential.

In addition to vast areas of uncommitted high quality timber, Alberta has a highly developed transportation network, abundant energy resources, an experienced work force, and a politically supportive investment environment.

Alberta also boasts one of the lowest number of strike days, competitive wages, low delivered wood costs, lowest energy costs, and lowest fuel costs in Canada. Transportation systems move goods quickly and efficiently with container access, transfer yards and a trend towards deregulation.

Alberta is the only province in Canada with no retail sales tax and has one of the lowest corporate tax rates.

The Government of Alberta offers services and assistance programs and supports a free enterprise environment committed to encouraging foreign investment.

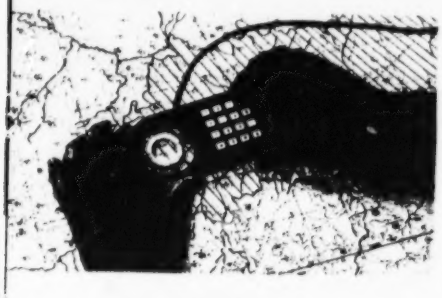
Take advantage of Alberta's **forest development opportunities.**

IT'S A GROWING INVESTMENT.

SUMMARY

DEPARTMENT OF FORESTRY, LANDS AND WILDLIFE

The Department manages Alberta's most important renewable resources. Departmental responsibilities include land use planning, surveying, government mapping and aerial photography, monitoring "controlled" land purchases, and administration of legislation licensing land agents.



The Department's "integrated use" concept encourages the growth of the forest products industry while ensuring Alberta's forested public lands continue to provide fish and wildlife habitat, vital watershed, grazing lands, non-renewable resource development sites and a variety of outdoor recreation and tourism opportunities.

The province's integrated resource planning process is designed to sort out land use needs and potential conflicts among competing interests for Alberta's public lands. The process assists in planning development opportunities such as harvestable timber, resort projects and agricultural expansion while protecting sensitive environmental areas.

Departmental priorities include a greater use of plentiful hardwood resources and expansion of the pulp and paper industry by encouraging new product and research initiatives. Assistance is provided to modernize existing sawmill and panelboard plants, develop new technologies, improve transportation, and strengthen marketing strategies.

FOREST INDUSTRY DEVELOPMENT DIVISION

The Forest Industry Development Division's mandate promotes the modernization, expansion and diversification of the forest products industry by providing advice and information on financial assistance to new and existing forest companies and private investors.

The Division acts as an advocate for industry initiatives with other government departments and agencies. A team of professionals, aware of both resource management concerns and the benefits of a healthy forest products industry, works to remove impediments to investment in forest development.

ALBERTA'S FOREST INDUSTRY OBJECTIVES

- **To maximize the utilization of the Annual Allowable Cut (AAC).**
- **To implement forest management practices which maintain a high standard of environmental protection.**
- **To increase levels of employment, revenue, and primary and secondary manufacturing based on the wood fibre available.**

Within the division, the Forest Products Research and Development Branch supports maximum utilization (both value and volume) of the timber resource, increased competitiveness of existing industry, and new development. The Branch administers sub-program B.4 of the Canada/Alberta Forest Resources Development Agreement which funds many of the R & D programs. The industry and government are partners in the selection and funding of these programs.

ALBERTA FOREST SERVICE DIVISION

The Alberta Forest Service manages Alberta's forest lands to preserve a perpetual supply of benefits and products while maintaining a high quality forest environment.

Based on a "sustained yield" principle, the Forest Service oversees a well-monitored system for ensuring the forest is returned to its original condition - or better - following the timber harvest. In exchange for long-term tenure in Alberta's forests, holders of

APPENDIX A: ALBERTA FOREST MANAGEMENT

timber dispositions submit detailed operating plans and meet Alberta Forest Service requirements for regenerating all cut-over areas within certain time limits.

TYPES OF TENURE

Timber harvesting rights can be acquired from the provincial government in two ways: the Forest Management Agreement (FMA) and the Timber Quota. Forest Management Agreements are awarded for the development of large, integrated operations. Timber Quotas are sold competitively and deal with smaller, single use operations.

FOREST MANAGEMENT AGREEMENT

The Forest Management Agreement is a 20 year renewable agreement between the Alberta government and a company. This agreement grants the company the rights and obligations to manage, grow and harvest timber on a sustained yield basis in the area designated under the agreement.

FMA AWARD PROCESS

The process for obtaining a Forest Management Agreement begins with an inquiry or submission of a formal proposal. The exact terms and conditions of the agreement are negotiated prior to the award. All proposals are reviewed by the minister and provincial cabinet before the final award. The award of a Forest Management Agreement is based on the feasibility of the project and other criteria such as benefit to the

community and to the provincial economy.

TIMBER QUOTA SYSTEM

The Timber Quota is a commitment of timber volume using a 20 year renewable certificate with plan approval from the Alberta Forest Service. It allocates the rights to harvest a percentage share of the annual allowable cut within a management unit. Licenses average five years in length and require the operator to develop an annual operating plan for timber removal.

COMPANY RESPONSIBILITIES

The company develops proposed timber processing facilities according to the schedule established in the Forest Management Agreement or Timber Quota. The company is responsible for planning, logging, road development, and regeneration. These actions are described in a Forest Management Plan prepared by the company and are subject to the standards of the Alberta government.

The main goal of such a plan is securing the future of the forest resource and the forest industry through silviculture and reforestation. A comprehensive reforestation policy ensures that forest productivity remains of superior quality during future rotations.

The Alberta Forest Service and the forest industry share responsibility for a tree improvement program. This program produces superior genetic stock from lodgepole pine and white spruce with seed orchards established for propagation and reforestation.

SELECTED PROVINCIAL PROGRAMS AND SERVICES

Canada/Alberta Forest Resources Development Agreement

This five year agreement began in 1984 and commits to a cost shared $23 million program. The objectives are:

- Ensure the security of timber supplies and industry viability over the long term.
- Promote the efficient utilization of forest resources - especially hardwood resources.
- Increase economic diversification and employment opportunities in the forest sector.

Canada/Alberta Northern Development Agreement

Under this agreement, assistance is available to eligible parties in the renewable and non-renewable resource sectors and service sectors. The Agreement encourages development in Northern Alberta.

Alberta Research Council

Alberta spends more each year per capita on research and development than any other Canadian Province. Much of the research focuses on structural panel products since this type of product represents the major utilization of aspen (poplar) in Alberta. Emphasis is also placed on added value utilization of softwoods and hardwoods.

Alberta's Forest Industry Research Group exists under the auspices of the Alberta Research Council to facilitate medium and long term research. Studies have investigated:

- laminated beams from spruce and pine
- commercial kiln drying of aspen
- added value products from lodgepole pine
- increased pulp quality from steam explosion process
- an on-line electronic quality control system for composite panel products

DEPARTMENT OF ECONOMIC DEVELOPMENT & TRADE

This provincial government department is the primary coordinator of Alberta's economic strategy. Their mandate involves strengthening existing industries, diversifying the economy, and encouraging balanced growth throughout the province.

Transportation Services Division

This Division is responsible for co-ordinating the review and analysis of transportation issues, policies, and programs in Alberta. It facilitates the efficient movement of goods into and out of the province. The Division assists potential investors with information pertaining to rates, locations, or other issues regarding the movement of goods.

Small Business Division

The Division's objectives are to promote new business formation and to increase the survival rate of existing businesses.

For current telephone numbers of Government of Alberta offices, contact: (403) 427-2711

SELECTED FEDERAL PROGRAMS AND SERVICES

Federal Business Development Bank

This service extends financial assistance to new or existing businesses in Canada and assists management development through seminars, conferences and training courses.

Industrial and Regional Development Program (IRDP)

This program provides financial support to private sector initiatives. Priority areas of interest are innovation, business establishment, modernization, expansion, and marketing.

Program for Export Market Development (PEMD)

This program offers incentives for Canadian firms to enter or expand foreign markets by providing contributions of up to 50% of the costs incurred to investigate new markets. The contributions are repayable if sales are achieved.

Western Diversification Office

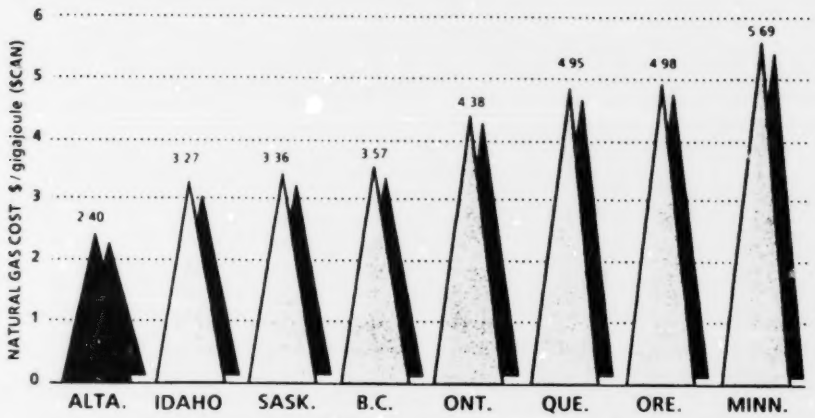
This $1.2 billion five year program was established for the western provinces in 1987. Funds will be used to support the creation of western enterprises and to assist in the modernization and expansion of existing businesses.

For current telephone numbers of Government of Canada offices, contact: (403) 420-2021 (Edmonton)
Toll free 1-800-232-9481

APPENDIX B: RELATED GOVERNMENT PROGRAMS AND SERVICES

CHART #1

COMPARISON OF NATURAL GAS COSTS*
FOR MEDIUM SIZED INDUSTRIAL USERS **



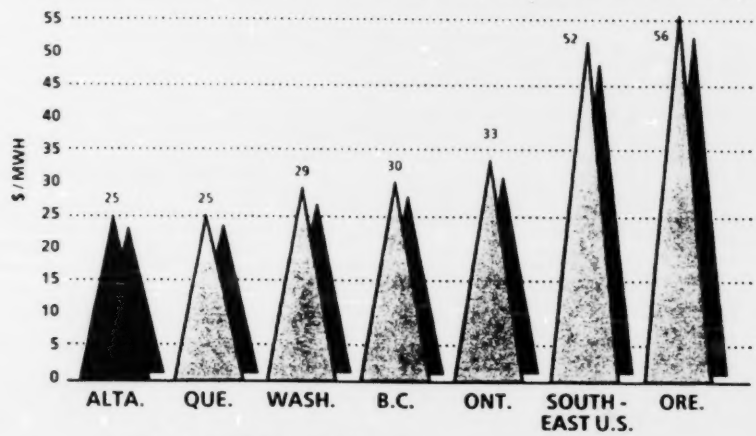
SOURCE: Provinces - Energy Pricing news, Sullivan Communications, Ontario, April, 1987. Stats - Utility Company Quotes

* If province has more than one utility company, costs are averaged

** Medium sized user based on approximately 4,000 gj / month

CHART #2

COMPARATIVE COST OF ELECTRICITY (INDUSTRIAL RATES)



SOURCE: Sandwell Swan Wooster (1987)
Industrial power rates for a typical thermomechanical newsprint mill which traditionally requires a large amount of electric power.

APPENDIX C: REFERENCE CHARTS

CHART #3 COMPARATIVE LABOUR DATA

	Alta.	B.C.	Sask.	Ont.	Que.
Percent of estimated* working time lost due to strikes & lockouts	0.05	0.40	0.02	0.13	0.31
Average forestry** wage/hour	$14.87	$18.33	$13.19	$16.48	$14.40
Minimum wage	$3.80	$4.00	$4.50	$4.35	$4.35

SOURCE: *Statistics Canada, 1986
**Statistics Canada, Employment Earnings and Hours Second Quarter, 1987

CHART #4 COMPARATIVE DEMOGRAPHIC DATA

	Alta.	B.C.	Ont.	Que.	Sask.	Idaho	Ore.	Minn.
Population (in 000's)	2,363	2,893	9,110	6,599	1,018	1,005	2,087	4,193
Average Annual Salary	$16,839	$16,214	$17,410	$14,959	$14,219	$14,826*	$16,829*	$18,782

Source: Alberta Statistical Review, Second Quarter, 1987
Statistical Abstract of the United States, 1987.

* U.S Dollars Converted to Canadian Dollars Exchange Rate: $1 Canadian = $.75 U.S.

CHART #5 COMPARATIVE TAX DATA

Province/State	Small Business Rate*	Large Corporations	Large Manufacturing and Processing Corporations	Basic Retail Sales Tax
Alberta	0/5	15	9	0
British Columbia	11	15	15	6
Saskatchewan	0/10	17	17	5
Quebec	0/3.22	13.9	5.9	9
Ontario	0/10	15.5	14.5	7
Idaho	7.7	7.7	7.7	5
Oregon	7.5	7.5	7.5	0
Minnesota	6**	6**	6**	6
	12***	12***	12***	

* The 0% rate applies to new start-up small businesses, except in Alberta where it applies to manufacturing and processing income.

Saskatchewan's 0% rate applies to both.

** First $24,000

*** Balance after initial $24,000

NB Tax data as of July, 1987

The Government of Alberta welcomes your ideas and inquires

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